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GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

September 14, 2006

The Honorable Henry M. Paulson
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Secretary:

As you prepare to leave for your first trip to China as Secretary of the Treasury, I urge you to intensify U.S. efforts to achieve specific targets and timelines from the Chinese government to end its manipulative currency practices that are costing Americans their jobs and undermining global economic health.

The speech you delivered yesterday in Washington demonstrates your deep understanding of China's emerging and growing role in the world economy. I agree with you that no nation can, or should, turn back the clock on globalization, but I hope you concur that it is not "protectionist" to challenge China's flagrant abuse of trade laws and distortion of global markets by undervaluing the yuan against the dollar and other currencies. Indeed, if the word "protectionist" is to be invoked, it is China's currency and trade policies that are the protectionist practices.

No sector today is experiencing more pain from record-setting trade deficits than the manufacturing sector. That is why in June, I wrote to newly-appointed Trade Ambassador Susan Schwab to urge the Administration to assure a level playing field for American manufacturers by taking aggressive steps to balance the ever-growing bilateral China trade deficit. While I hope you will join Ambassador Schwab in demanding more tangible actions from our trading partners, I am concerned that as you leave for China, our government must deliver immediate results to end currency manipulation.

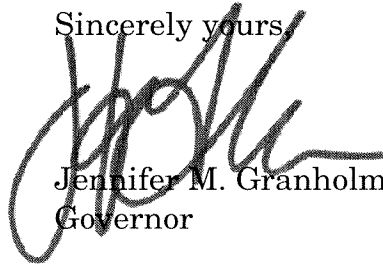
As you note, China's reliance on an overly rigid exchange rate, which continues undervaluing the yuan by 15 to 40 percent, "increases the risk of boom and bust cycles." In Michigan and other manufacturing states, the Bush Administration's indifference to America's manufacturing, including its lax enforcement of trade policies, has delivered more bust than boom to our

manufacturers and contributed heavily to the loss of 3 million U.S. manufacturing jobs since 2001.

To achieve meaningful results in China, Americans need to be reassured that the President will stand at least as tall for our manufacturers' competitiveness as he stands for open global markets. Thinking creatively about helping those who are falling behind is important, but our businesses and workers would be better served with creative federal actions to prevent needless job loss in the first place.

As you depart for China, I hope you succeed where others in the Bush Administration have so far failed in making China a fully responsible stakeholder in the global economy. For Michigan workers and businesses, success will be measured by the strength of an immediate and enforceable Chinese commitment to stop currency manipulation and other unfair and abusive trade practices.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "J. Granholm", is written over the typed name and title.

Jennifer M. Granholm
Governor